

Chapter 3

Funding Programs

Financial support for the planning and delivery of public transit services comes from many sources. This chapter will focus primarily on state and federal funding programs available either through the Office of Public Transit (OPT) or directly through the Federal Transit Administration (FTA). A more general discussion is provided concerning other federal programs that may be available to support public transit agencies in addressing human service transportation needs, as well as possible sources of local funding for public transit services.

The primary federal and state programs supporting transit and transit planning are as follows:

Federal Transit Assistance Programs

- Metropolitan Transportation Planning Program (Section 5303)
- Statewide Transportation Planning Program (Section 5304)
- Urbanized Area Formula Program (Section 5307)
- Capital Investment Program (Section 5309)
- Special Needs Formula Program (Section 5310)
- Non-urbanized Area Formula Program (Section 5311)
- Rural Training Assistance Program (RTAP) (Section 5311(b)(3))
- Intercity Bus Assistance Program (Section 5311(f))
- Job Access/Reverse Commute (JARC) Program (Section 5316)
- New Freedom (NF) Program (Section 5317)
- Over-the-Road Bus Accessibility Program (Section 3038)

State Transit Assistance (STA) Programs

- STA Formula Program
- STA Fellowship Program
- STA Coordination Special Projects
- STA Statewide Special Projects
- Public Transit Infrastructure Grant Program
- Capital Match Loan Program (Amoco Loans)

Federal Flexible Funds Available to Transit

- Surface Transportation Program (STP)
- Congestion Mitigation/Air Quality (CMAQ) Program
- Iowa Clean Air Attainment Program (ICAAP)

Types of Assistance - Before discussing the individual programs, it is important to understand the basic types of financial assistance that may be available. These include assistance with the costs of: 1) operations, 2) capital improvements, 3) transit planning, and 4) project administration.

Operating Assistance - Operating assistance may be used to support the general operation and administration of the transit system. Generally federal operating assistance is limited to 50 percent of a transit system's operating deficit (total operating cost minus, at minimum, passenger revenues). Federal law does not allow operating assistance for large urban systems in urbanized areas with over 200,000 population. State transit formula funds can be used for support of transit operating costs, potentially to the full

extent of the deficit, though lack of local contribution would lead to reduced state funding in future years. Operating costs commonly include, but are not limited to, the following:

- Accounting, billing, recordkeeping
- Administration of daily activities
- Advertising
- Dispatching
- Drug and alcohol testing
- Fuel
- Maintenance
- Marketing
- Office supplies
- Purchasing
- Rental
- Supervision
- Training
- Telephone
- Vehicle Insurance
- Wages and benefits

Capital Assistance – Capital assistance may help to support the cost of transit capital improvements such as purchase of rolling stock, accessory equipment and parts, as well as office or maintenance equipment, plus construction or purchase of facilities. Federal funding used for transit capital purchases or improvements is generally based on an 80% federal, 20% non-federal participation rate. This means that the federal funds may pay up to 80% of eligible project costs, while 20% of the cost must be from nonfederal funds. ADA retrofit projects, clean air retrofit projects, and certain bicycle accommodation projects can be funded at a 90% federal, 10% non-federal ratio. FTA has allowed revenue vehicles with require ADA and clean air equipment to be purchased at a blended participation rate of 83% federal, 17% non-federal.

Eligible capital expenses include equipment that has a useful life of more than one year. Any equipment or accessory purchased with federal or state capital funds is considered capital. Purchases of equipment that cost more than \$5,000 are always considered capital regardless of the funding source. The cost of leasing equipment may be treated as a capital expense provided the lease period is at least one year and it is determined that leasing is cost effective compared to purchase.

All types of transit facilities and improvements to those facilities are eligible capital expenses for 5309, 5307, and 5311 funds. Sections 5310, 5316 and 5317 limit facility eligibility. [Exhibit 1](#) shows examples of eligible capital expenditures. For a list of examples of capital projects that can be funded at 90% federal participation see [Exhibit 2](#).

Planning Assistance – Planning assistance may be used to support transit planning activities as well as more general intermodal transportation planning activities, whether conducted by planning agencies or by transit system personnel. Although Congress has established dedicated sources of funding for planning, the costs of planning activities are also eligible under most other federal transit programs. The federal participation ratio for planning assistance is normally 80% federal, 20% non-federal.

Training Assistance – Federal training funds are available for regional and small urban systems through the Rural Transit Assistance Program (RTAP). A similar program

providing training funds for urban transit systems is available from state transit assistance funds in the fellowship program. See [Chapter 12](#) for additional information.

Federal Programs

Federal transit funding programs are authorized by the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) enacted August 10, 2005. Most federal transit programs are funded from the Mass Transit Account of the Highway Trust Fund, based on transit's share of the federal motor vehicle fuel taxes. Discretionary capital funding for fixed-guideway new starts are funded from the federal general fund. The funds are administered at the federal level by the Federal Transit Administration (FTA).

Traditionally, the federal transit funds were referred to by number of the section of the Urban Mass Transportation Act of 1964 that created them. (Section 3, Section 16(b)(2), etc.) In the early 1990's, the transit programs were codified, or incorporated into the US Code. The transit programs are found in Title 49, Part 53. Section references now refer to the portion of the US Code that establishes each program.

As described in Chapter 1 of this Handbook, the Iowa DOT is a recipient of federal funds under several of the programs, and administers the project funds to multiple subrecipients. In other cases, transit systems, or others, may be a direct recipient for the federal transit funding.

[Section 5303 Metropolitan Planning Program](#) - This is a FTA program to support planning activities in metropolitan areas on an 80% federal, 20% non-federal basis. By law, the state is the direct recipient of the funding. In Iowa, these funds are administered by the Iowa DOT's Office of Systems Planning and are distributed to each of the state's Metropolitan Planning Organizations (MPOs). Annual allocations of 5303 funds are based on a formula that guarantees each MPO an amount of funds equal to what they received in 1992, plus a share of the additional funds proportionate to their share of the statewide metropolitan population total. The 5303 funds are administered jointly with Metropolitan Planning "PL" funds available through the Federal Highway Administration as part of a Consolidated Planning Grant. The 5303 and PL funds can support any MPO costs related to intermodal transportation planning activities for the urbanized area. [Chapter 4](#) contains more information on planning activities.

[Section 5304 Statewide Planning Program](#) - These funds are intended to support transit planning in addition to what is conducted by the individual MPOs. By law, the state is the direct recipient of the funding. Iowa uses these funds, along with 5311 funds set aside specifically for planning, to support a system of Regional Planning Affiliations (RPAs). The RPAs are responsible for local intermodal transportation planning in areas of the state not included in a Metropolitan Planning Organization. Iowa DOT's Office of Systems Planning serves as the direct recipient of these funds. The combined 5304 and 5311 planning funds are allocated among the state's 18 RPAs based on a formula recommended in Iowa's 1999 state plan "Iowa in Motion". Half of the funds are evenly distributed among the RPAs, 25% are distributed on the basis of population and 25% on the basis of the number of counties within the region. The Office of Systems Planning also distributes Statewide Planning and Research ("SPR") funds from the Federal Highway Administration to the RPAs, for the same purpose and via the same formula. The 5304 and/or 5311 planning funds and SPR funds are administered jointly with any Surface Transportation Program (STP) funds programmed for planning support by the RPAs. These funds jointly support regional intermodal planning on an 80% federal, 20% non-federal basis.

Section 5307 Urbanized Area Formula Program - This is a federal program for support of urban transit systems serving communities with more than 50,000 population.

In all urbanized areas, 5307 funds can be used for capital improvements, including preventive maintenance activities, or planning activities on an 80% federal, 20% non-federal basis. Purchase and installation of special equipment or features required by the Americans with Disabilities Act or the Clean Air Act Amendments, and certain bicycle accommodation projects are eligible for 90% federal assistance. FTA has allowed revenue vehicles with required ADA and clean air equipment to be purchased at a blended participation rate of 83% federal, 17% non-federal.

Transit systems may use up to 10 percent of their total 5307 funds to pay for ADA paratransit costs on an 80% federal, 20% non-federal basis.

Each area over 200,000 population receives its own 5307 allocation directly from FTA. The allocations are based partially on population and population density, and partially on performance factors, including passenger miles of service provided. Four Iowa transit systems are funded under this program: Des Moines receives its own allocation; Davenport and Bettendorf both receive a portion of funds allocated to the Quad Cities area; and Council Bluffs receives benefit of a portion of the funds allocated to the Omaha-Council Bluffs area. Within each of these larger urbanized areas, at least one percent of the 5307 funds must be set aside for transit enhancement activities. Within each area, the MPO is responsible for programming the funds as part of the Transportation Improvement Program.

Each state receives a single allocation of 5307 funds for use in the smaller urbanized areas (with population from 50,000-200,000). This 'Governor's Apportionment' includes a base allocation calculated strictly on population and population density of the state's communities in that size range, plus a "growing states" allocation, based on projected population growth. There is also now a "small transit intensive cities" tier that provides additional funding if any of the small urbanized areas in the state exceed the average performance of the larger communities across the nation on one or more of six specified performance measures. The state is responsible for deciding how 5307 Governor's Apportionment funds are distributed. Ames, University of Iowa's Campus, Cedar Rapids, Coralville, Dubuque, Iowa City, Sioux City, and Waterloo all receive funding from the Iowa Governor's Apportionment. (Sioux City also receives funding from the Nebraska and South Dakota Governor's Apportionments.) In addition to capital and planning uses, funding for these smaller urbanized areas can also be used to support operating deficit. Funds for operating support must be matched by non-federal funds (other than passenger revenues) on a dollar-for-dollar basis.

The 5307 program is described in [FTA Circular 9030.1C](#).

The Iowa DOT determines the allocation of the 5307 Governor's Apportionment funds after the federal appropriation process is completed (usually sometime from October to December). At present, Iowa DOT is using the information that FTA publishes in the [Federal Register](#) regarding the amount of the total Governor's Apportionment attributable to statistics from each urbanized area as a guide in determining the suballocations. All transit systems in this category, except those in the Ames and Iowa City areas, depend on this allocation to support transit activities in the current fiscal year.

Section 5309 Capital Investment Program – This is a federal program for support of transit capital needs that exceed what can be funded under the federal formula programs. All public transit systems are eligible for these funds. Public agencies may receive these funds directly. Private non-profit transit agencies may not apply directly, but can be part of a statewide application. This federal program provides discretionary funding of transit capital improvements on an 80% federal, 20% non-federal matching basis (83% federal, 17% non-federal for vehicles equipped to meet ADA and Clean Air standards). In most recent years, all 5309 funding has been earmarked by Congress through the authorization or appropriation processes. Iowa's Congressional delegation has been successful in capturing a portion of these funds for both individual system earmarks and a statewide bus earmark. The statewide funds are allocated to rollingstock replacement/rehabilitation projects in the Statewide Transportation Improvement Program (STIP) using a ranking process based on the age and accumulated mileage of vehicles being replaced/rehabilitated. This will be described later as part of the discussion of the Public Transit Equipment and Facilities Management System in [Chapter 10](#). Rules and procedures relating to the 5309 program are found in [FTA Circular 9300.1A](#).

Section 5310 Special Needs Program – This is a federal program for support of transit services serving elderly and disabled persons. These funds are allocated to Iowa on the basis of the number of persons who are elderly or have disabilities within the state compared to other states. By law, the state is the direct recipient of the funding. Public agencies responsible for coordinating human service transportation are eligible, as are private not-for-profit agencies. Because Iowa requires the designated public transit systems to coordinate all publicly-funded passenger transportation services, Iowa distributes these funds to the public transit agencies. The funds may be used for the cost of contracted operations, equipment and passenger or vehicle shelters on an 80% federal, and 20% non-federal basis. Purchase of vehicles equipped for access by persons with disabilities can be funded at 83% federal participation. Facilities other than passenger or vehicle shelters are not eligible.

The Iowa DOT's OPT is the recipient of the 5310 funds from FTA. Seventy percent of the annual funding is distributed to Iowa's large urban transit systems to support services to qualifying persons living in urbanized areas. These funds are distributed based on the same formula used for the rural systems, but with each transit system developing its own eligible project. The remaining 30% of the funds are administered and distributed in conjunction with Non-urbanized Area Formula Program 5311 funds. To simplify administration, the 5310 funds going to rural systems are only distributed to transit systems that purchase contracted transportation services. All projects using 5310 funding must derive from the Passenger Transportation Development Plan (TPDP) prepared by the respective metropolitan or regional planning agency through their joint public transit/human service transportation planning process. (See [Chapter 4](#)) All services supported with 5310 funding must be operated open to the general public. (Complementary ADA paratransit meets this requirement, so long as it matches up with an urban transit system's fixed-route hours and service area.)

Federal guidance on the 5310 program is found in [FTA Circular 9070.1F](#).

Section 5311 Non-urbanized Area Formula Program – This federal program supports transit activities in rural areas and communities with less than 50,000 population. These funds are allocated to Iowa based on the number of persons living outside urbanized areas compared to other states. By law, the state is the direct recipient of the funding. Iowa DOT serves as the direct recipient of the funds, through both the Office of Public Transit

(OPT) and the Office of Systems Planning. The OPT administers the bulk of the 5311 funding that is provided to small urban and regional transit systems, as well as the 15% of the annual apportionment, that in conformance with federal law, is utilized to support intercity bus services, described later in this chapter. The Office of Systems Planning administers that portion of the 5311 funds that are combined with the 5304 funding to support rural transit and intermodal planning activities described in Chapter 4. The amount used for planning is determined on an annual basis between the offices of Public Transit and Systems Planning.

The portion of the 5311 funds used for support of public transit services in Iowa is administered in conjunction with the rural portion of the 5310 funding. The 5311 funds may be used to support operating deficits (potentially on a 50% federal, 50% non-federal match), capital purchases (on an 80% federal, 20% non-federal match or 83% federal, 17% non-federal for vehicles meeting ADA and Clean Air standards), or planning activities (on an 80% federal, 20% non-federal match). State policy does not allow local transit administration costs for public transit systems to be treated any differently than operating expenses.

The Iowa DOT formula allocating 5310 and 5311 funds uses the past year's performance statistics. The amount of formula funds to be distributed to small urban systems versus regional systems is determined by comparing the "net public deficit" (unrestricted tax support) for all urban systems to that for all regional systems. The individual allocations to small urban systems are then determined on the basis of 50 percent of the percentage of total small urban ridership accomplished by that system and 50 percent of the percentage of total small urban revenue miles provided by the individual system. Individual allocations for regional systems are based on 40 percent of the system's percentage contribution to total regional transit ridership and 60 percent on the system's percentage contribution to total regional revenue miles. See [Exhibit 3](#) to see the formula with an example.

The formula apportionment funds received by each system must be used to support services open to the public. This would include eligible transit capital or operating expenses as defined by the federal government. The decision of how the formula funds are programmed is a part of the local transportation planning and programming process conducted through the regional planning affiliation. OPT provides a projection of the formula funding that will be available to each system for the coming state fiscal year in early December, in order to facilitate integration of the 5311 programming process with the annual preparation of the Passenger Transportation Development Plan (PTDP) and the regional Transportation Improvement Program (TIP).

OPT decides which agencies will receive 5310 funds versus 5311 funds, based on how the transit systems will use of the monies. At present, most transit systems choose to use their formula funds for support of transit service costs. The 5310 funds are targeted to systems that purchase services from sub-providers, and 5311 funds are targeted first to systems that provide their services directly. To the extent that any system proposes to use its 5310/5311 allocation for purchase of rolling stock to operate within an urbanized area, 5310 funds will be used (and the project will be included in that urbanized area's Transportation Improvement Program (TIP).) If facility improvements are programmed with the formula funds, 5311 funding will be used.

The federal requirements for the 5311 program are is described in [FTA Circular 9040.1F](#).

Section 5311(b)(3) Rural Transit Assistance Program (RTAP) – This federal program provides a source of funding to assist in the design and implementation of training and technical assistance programs and other support services tailored to meet the specific needs of transit operators in non-urbanized areas (less than 50,000 in population). By law, the state is the direct recipient of the funding. In Iowa, the DOT's OPT serves as the recipient of these funds. Federal guidance for the RTAP program is contained in [FTA Circular 9040.1F](#)

Iowa's RTAP funds are mainly used to provide local transit agencies training fellowships. The fellowships pay 50 percent of the cost for Iowa's small urban and regional transit systems and their planners to attend Iowa DOT sponsored seminars, as well as transit-related courses or conferences sponsored by other groups. Transit systems may also be reimbursed for training held in-house. A parallel program funded with state transit assistance (STA) funds pays for costs incurred by large urban systems and their planners. [Chapter 12](#) explains the procedures for receiving training fellowships.

Additional RTAP projects funded by OPT include:

- Statewide training seminars
- Statewide annual driver rodeo
- Transit training library
- Transit marketing video

Previously funded Iowa RTAP projects that continue to benefit transit systems in Iowa and around the nation are:

- Training video on bloodborne pathogen precautions
- Training video on coordination of transit services
- Internet connections project

Section 5311(f) Intercity Bus Assistance Program - A minimum of 15 percent of each year's non-urbanized formula funds allocated to Iowa under the 5311 program is required to be set aside to support intercity bus transportation. Iowa's Intercity Bus Assistance Program is intended to support intercity bus service in rural and small urban areas. Private-for-profit companies, private non-profit corporations, or public entities may apply for this funding. Eligible bus service must make convenient connections to the existing national intercity bus network. Connections to Amtrak or passenger air service terminals are desirable. Service strictly for commuter purposes is not eligible. Projects may include operating assistance, capital assistance, planning, or administrative costs such as marketing and insurance.

The Iowa Intercity Bus Assistance Program includes funding in four categories of projects developed as part of the Iowa DOT's 1999 state plan "Iowa in Motion".

- Category 1 is support for continuation of existing services. Funding is available for providers of existing intercity bus service that apply and agree to reporting requirements. Category 1 projects pay \$0.20/revenue mile of scheduled route service that is justified based on preventive maintenance costs.
- Category 2 is support for new and expanded intercity bus service or feeders connecting to existing intercity bus services. It is not intended to support duplication of existing services. Projects pay up to \$0.50/mile based on preventive

maintenance, insurance and administrative costs, and operating support for a maximum of two years. After two years, the service may receive support under Category 1.

- Category 3 is support for marketing of existing and new services. Preference is for cooperative projects with involvement by communities served. Projects may pay up to 80% of project administration/marketing costs.
- Category 4 supports facility improvements or equipment purchases necessary for the support of existing or new intercity bus services. Projects pay up to 80% of approved project amounts (83% for purchase of accessible vehicles or 90% on accessibility retrofits of existing vehicles) based on actual costs.

The Intercity Bus Assistance Program is included as a statewide total in the Statewide Transportation Improvement Program (STIP). Annual intercity bus assistance applications must be received by OPT by the first business day of October for projects to begin in January. Project selections are finalized by December.

Section 5316 Job Access and Reverse Commute Program (JARC) – This is a federal program established to provide transportation services to access employment opportunities and support services (such as training and child care) for welfare recipients and low-income individuals. Services designed for these purposes may be used by the general public for any trip purpose.

Each urbanized area over 200,000 population receives a separate annual apportionment of funding, and each state receives both an apportionment for use in urbanized areas under 200,000 population and a second apportionment for use in non-urbanized areas. The federal apportionments are based on census data concerning the number of low income individuals in each area, but the law requires that a competitive project selection process must be administered for each of these apportionment areas.

All projects must derive from the area's Passenger Transportation Development Plan (PTDP), developed through collaboration of public transit and human service interests. See [Chapter 4](#) of this handbook for more information on the PTDP process.

Required match (50% of net cost for operating projects and 80% for capital [83% for ADA vehicles]) can come from any non-DOT federal funds, as well as from state or local government or from private sources.

The OPT accepts applications for JARC projects under the small urbanized areas apportionment or the non-urbanized areas apportionment as part of its Consolidated Transit Funding Application due the first business day of May each year. If any funding remains unobligated after those applications are processed, a second round of applications may be solicited.

The competitive application process in the Des Moines, Omaha-Council Bluffs and Quad Cities areas are each administered locally. For further information contact [Des Moines Area Regional Transit Authority](#), the [Metropolitan Area Planning Agency \(Omaha\)](#), or the [Bi-State Regional Commission \(Quad Cities\)](#).

The majority of the grants in Iowa are to transit agencies to extend hours into the evenings and weekends. Other projects established new services to connect employment

centers not previously served by transit, or purchased vehicles used for service expansions.

Section 5317 New Freedom Program – This is a federal program established under SAFETEA-LU to support new services or accommodations for persons with disabilities that go beyond the minimums established by the rules implementing the Americans with Disabilities Act. “New” is defined as projects that were not implemented or programmed prior to the signing of SAFETEA-LU (August 10, 2005). What can be considered to be “beyond the minimums required by the ADA” is discussed at length in FTA’s guidance for the New Freedom program – Circular [FTA C9045.1](#).

As with the JARC program, each urbanized area over 200,000 population receives a separate annual apportionment of funding, and each state receives both an apportionment for use in urbanized areas under 200,000 population and a second apportionment for use in non-urbanized areas. The federal apportionments are based on census data concerning the number of persons with disabilities in each area, but the law requires that a competitive project selection process must be administered for each of these apportionments.

All projects must derive from the area’s Passenger Transportation Development Plan (PTDP), developed through collaboration of public transit and human service interests. See [Chapter 4](#) of this handbook for more information on the PTDP process.

Required match (50% of net cost for operating projects and 80% for capital [83% for ADA vehicles]) can come from any non-DOT federal funds, as well as from state or local government or from private sources.

The OPT accepts applications for New Freedom projects under the small urbanized areas apportionment or the non-urbanized areas apportionment as part of its Consolidated Transit Funding Application due the first business day of May each year. If any funding remains unobligated after those applications are processed, a second round of applications may be solicited.

The competitive application process in the Des Moines, Omaha-Council Bluffs and Quad Cities areas are each administered locally. For further information contact [Des Moines Area Regional Transit Authority \(DART\)](#), the [Metropolitan Area Planning Agency \(Omaha\)](#), or the [Bi-State Regional Commission \(Quad Cities\)](#).

Iowa Clean Air Attainment Program (ICAAP) –This program is one of the five core funding programs of the Federal Highway Administration (FHWA) that can be flexed between highway, transit or bicycle/pedestrian uses. Nationally, the Congestion Mitigation/Air Quality (CMAQ) program is intended to fund transportation projects to assist metropolitan areas in violation of Clean Air Act standards. In those states with areas in violation, most or all CMAQ monies must be spent in the affected areas for projects conforming to a state air quality implementation plan. Because Iowa does not have any area in violation of transportation-related federal clean air standards, the state receives a minimum allocation of CMAQ funding that can be used anywhere in the state for any purpose for which STP funds can be used on the same 80% federal, 20% non-federal basis.

In Iowa, funds are programmed for highway or transit projects through a statewide application process based on the project's anticipated air quality or congestion relief

benefits. Applications are due the first business day of October for projects to begin the following federal fiscal year. Project selections are determined in February. When ICAAP funds are programmed for transit projects, funding is transferred from FHWA to FTA for administration through statewide grant under either the 5307 or 5311 programs depending on whether the projects are in urbanized or non-urbanized areas. Additional information is available in the Iowa DOT Funding Guide available on the web.

<http://www.iowadot.org/fundguid.htm>.

Surface Transportation Program (STP) – This is another of FHWA's core programs. These funds come to the state based on a number of factors including Vehicle Miles of Travel, Highway Lane Miles and the Number and Size of Bridges. The funds can be used for roadway, transit capital projects, pedestrian/bikeway projects, or intermodal planning projects on an 80% federal, 20% local basis. In Iowa, a portion of these funds is programmed by local governments acting through metropolitan or regional planning agencies. Nearly all of Iowa RPAs and some MPOs fund a portion of their intermodal transportation planning activities from STP funds. Most transit systems have also been successful in receiving STP funding from their local MPO or RPA. When programmed for transit or planning projects, these funds are transferred from FHWA to FTA for administration, either through a direct 5307 grant for large urban transit systems, through a statewide 5311 grant for small urban or regional systems, or through the statewide consolidated planning grant for planning projects. OPT administers the statewide grant for individual small urban and regional transit systems. The Office of Systems Planning administers the planning grant.

Over-the-Road Bus Accessibility Program (OTRB) – Grants are provided directly from FTA to operators of over-the-road buses to help finance incremental capital and training costs to implement the final accessibility rule under the Americans with Disabilities Act (ADA). Providers of intercity fixed-route service, commuter service, and charter and tour service may apply directly to FTA for annual grants. FTA announces its solicitation for applications each year through a notice in the Federal Register.

State Programs

The State of Iowa currently offers four programs providing financial assistance to public transit systems.

State Transit Assistance (STA) – All public transit systems are eligible for funding under the STA program, which began in 1976. Since 1984, STA funding has been derived from a dedicated portion (currently 1/20th) of the first four cents of the state "use tax" imposed on the sale of motor vehicles and accessory equipment. STA funds are provided to support public transit services and may be used for either operating or capital projects. The STA program is described in [Chapter 920](#) of the [Department of Transportation's Administrative Rules](#).

STA Formula Program - The majority of the state transit assistance funds received in a fiscal year are distributed to individual transit systems on the basis of a formula using performance statistics from the most recent available year. Each month, the dollars received in the fund during the prior month are allocated to the transit agencies. These funds can be used by the public transit system for operating, capital or planning expenses related to the provision of open-to-the-public passenger transportation.

The STA formula funds are first split between urban and regional systems on the basis of total revenue miles of service provided by each group. The funds are then split among individual systems in each category, 50 percent on the basis of locally determined income (LDI), 25 percent on the basis of rides per dollar of expense, and 25 percent on the basis of revenue miles per dollar of expenditure. OPT calculates LDI by subtracting FTA and STA formula funds from the system's operating expenses. [Exhibit 4](#) provides an illustration of the STA formula and an example of how it works.

STA Special Projects - Each year up to \$300,000 of the total STA funds are set aside to fund "special projects." These can include grants to individual systems to support transit services which are developed in conjunction with human service agencies, or statewide projects to improve public transit in Iowa through such means as technical training for transit system or planning agency personnel, statewide marketing campaigns, etc. The

Coordination Special Projects are considered an "immediate opportunity" program by the Iowa DOT, meaning that these funds can be applied for at any time of the year as an opportunity arises, provided that funding is still available. Projects are intended to assist with start-up of new services that have been identified as needs by health, employment or human service agencies participating in the Passenger Transportation Development Planning process. Most projects will fall within the \$5,000-\$25,000 range. Projects shall be for no more than one year, but a second year of funding can be applied for separately. Priority is given to projects which include a contribution from human service agencies as well. Application materials can be found on OPT's website at <http://www.iatransit.com/resources/applications.asp>.

A major component of the state-wide Special Projects is a program of transit training fellowships that parallels the RTAP fellowship program described previously. The STA fellowship program focuses on training costs for Iowa's large urban transit systems and metropolitan planning organizations that are not eligible under RTAP. (See [Chapter 12](#) of this Handbook for fellowship information.)

The statewide project funds can also be used on statewide transit marketing and projects exploring new transit technologies. The administrative rules provide flexibility for use of the funding.

Statewide Special Project funds can be used as up to 1/2 the match on New Freedom Projects.

If not needed for special projects, the money set aside for that purpose may be moved back into the STA formula program for distribution to all systems.

Public Transit Infrastructure Grants – In 2006, the Iowa Legislature established a new program to fund some of the vertical infrastructure needs of Iowa's transit systems. Applications are accepted as part of the annual Consolidated Transit Funding Applications. Projects can involve new construction, reconstruction or remodeling, but must include a vertical component to qualify. They are evaluated based on the anticipated benefits to transit, as well as the ability to have projects completed quickly. The infrastructure program participation in the cost of transit-related elements of a facility project is limited to 80% and cannot, in combination with federal funding, exceed that number. Also no single system can receive more than 40% of the available infrastructure funding in a given year. Additional specifics of the program can be found in [Chapter 924](#) of the department's administrative rules.

Capital Match Revolving Loan Fund (AMOCO Loan) – The capital match revolving loan fund was created by the Iowa Legislature in the early 1980's with funds from Iowa's share of the federal government's petroleum overcharge settlement against the American Oil Company (Amoco.) The loan program is subject to an intergovernmental agreement between the Iowa DOT and the Iowa Department of Natural Resources (DNR). All public transit systems are eligible for loans under this program. The intent of the program is to increase the inherent energy conservation benefits of public transit by expediting the implementation of transit capital projects.

The program allows "no interest" loans to transit systems, which the transit system uses towards the required local match on a federally-funded capital project, paying it back over a negotiated time period as local funds become available. The loan can be used to temporarily fund the entire local match on capital equipment projects or 50% of the required non-federal match on facility projects. Loan recipients may be required to report project energy savings annually to OPT until the loan is repaid.

A project is eligible if it is a transit capital project that is approved for federal funding. The project should be targeted at energy savings.

The public transit system may submit a request at any time. The request shall include, but not be limited to, the following topics and documents:

- a. A description and cost estimate of the proposed project.
- b. An explanation of the benefits to be gained from the project, including how the project will save energy.
- c. An explanation and justification of need for the loan.
- d. A proposed schedule of when funds will be needed for the project.
- e. A proposed loan repayment plan.

The director of OPT will review the loan request based on available funds and project eligibility. Upon approval, the public transit system will be offered a contract designating the amount of the loan and the repayment schedule.

Note that all funding agreements between the Iowa DOT and transit agencies include the provision that all payments will be withheld to any transit system delinquent in loan repayments. If repayments are not received in a reasonable timeframe, the transit system's STA funding may be applied to the loan repayment obligation.

Based on the agreement between Iowa DOT and DNR, if loan funds are not needed to expedite transit capital projects, they may be used as no interest loans to individuals for the purchase of vans for vanpooling.

The administrative rules for the Transit Capital Match Revolving Loans are found in [Chapter 923](#) of the department's administrative rules.

Local Funding

The bulk of transit funding in Iowa comes from local sources, especially on the operating side. How systems generate their local financial support varies, but some of the more common sources are as follows:

Passenger Revenues – Fees paid by the passengers is one of the most common sources of local support. This can include monies collected on-board the transit vehicle (usually called “farebox receipts”), as well as prepaid fares from sale of passes or tickets, or fares billed to the passenger after the fact. FTA requires that all passenger revenues be subtracted from the total cost of operating transit service to identify a net operating cost, before eligibility for federal financial support of operations can be calculated.

Contract Revenue – Human service agencies, local communities, as well as private businesses are often willing to pay a part or all of the cost for certain types of rides provided as part of the open to the public transit operation. Such subsidies are classified as contract revenues and can count toward the required local match on federal projects.

Local Taxes –

Municipal Transit Levy – Iowa law authorizes municipalities to levy up to 95 cents per \$1,000 assessed valuation to support the cost of a public transit system. Most of Iowa's larger communities levy for support of their urban transit systems. A number of smaller communities use this authority to generate funding used to support services contracted from their designated regional transit system. Click [here](#) for information that shows which Iowa communities are currently using the levy authority and how much is being generated.

Regional Transit Levy – In 2005, the Iowa legislature authorized Iowa's two largest counties to form special taxing districts, under the control of the county, for support of area-wide public transit services. Once formed, adjacent counties can become part of the district, or municipalities in non-participating adjacent counties can join. The district can levy up to the 95 cents per \$1,000 assessed valuation; but, unlike the provisions in the municipal levy, the regional transit districts can set differing levy rates across their territory. As of July 2007, only Polk County has chosen to form a district, and has, so far, limited its geographic coverage to just their county. Nearly all municipalities within the county have opted to participate.

General Fund Levy – The cost of supporting transit services is an eligible use of general fund revenues for all Iowa governments and is the primary source of funding to support transit for counties who don't have the option of a transit levy, as well as for cities which chose not to use the transit levy.

Trust and Agency Levy – The Trust and Agency Levy can be used by cities and counties to support employee benefit plans. As such, it can be used to help support the cost of a city operated transit system.

Other Local –

Student Fees – Mandatory student fees established by a college or university are similar to a tax levy in that all members of the particular community contribute.

Advertising Revenues – Sale of on-board advertising or advertising space in brochures, etc., can provide some additional revenues to the transit program.

Exhibit 1
Eligible Capital Items
For Federal Programs 5307, 5309 and 5311

Examples of eligible capital expenditures include, but are not limited to:

1. Buses
2. Vans or other paratransit vehicles
3. Vehicle make-ready costs
4. Radios and communications equipment
5. Passenger shelters, bus stop signs, and similar passenger amenities
6. Wheelchair lifts and restraints
7. Vehicle rehabilitation, remanufacture or overhaul
8. Preventive maintenance, defined as all maintenance costs
9. Associated Capital Maintenance items
10. Warranties which do not exceed the industry standard
11. Operational support such as computer hardware/software
12. Installation costs
13. Vehicle procurement, testing, inspection, factory visits and acceptance costs;
14. Construction or rehabilitation of transit facilities including design, engineering and land acquisition
15. Facilities to provide access for bicycles to mass transit facilities, or equipment for transporting bicycles on mass transit vehicles
16. Lease of equipment or facilities when lease is more cost effective than purchase (when lease of equipment or facilities is treated as a capital expense, the state must establish criteria for determining cost effectiveness, which may include non-economic factors such as management efficiency, availability of equipment, and staffing capabilities)

17. Capital portion of costs for service provided under contract. Such costs are commonly referred to as the "capital cost of contracting" and must meet restrictions found in FTA guidance.
18. Joint development projects
19. Introduction of new technology, through innovative and improved products, into mass transportation;
20. Transit related intelligent transportation systems
21. Provision of ADA paratransit service (may not exceed ten percent of the state's annual apportionment of Section 5311 and may be used only by recipients that are in compliance with ADA requirements for both fixed route and demand responsive service.)

Exhibit 2
Selected Capital Items
Eligible for 90% Federal Assistance for all Federal Programs

Cutaway Van Chassis Small Buses – ADA Retrofit

- Access Doors for Mobility Aid Users
- Brake Interlock System
- Decals
- Lift/Ramp for Mobility Aid
- Users Public Address System (Fixed-Route)
- Destination Signs (Fixed-Route)
- Securement System (i.e., 2) for Mobility Aid Users
- Stanchions, grab bars not previously required (Fixed-Route)
- Stop Request for Mobility Aid Users (Fixed-Route)

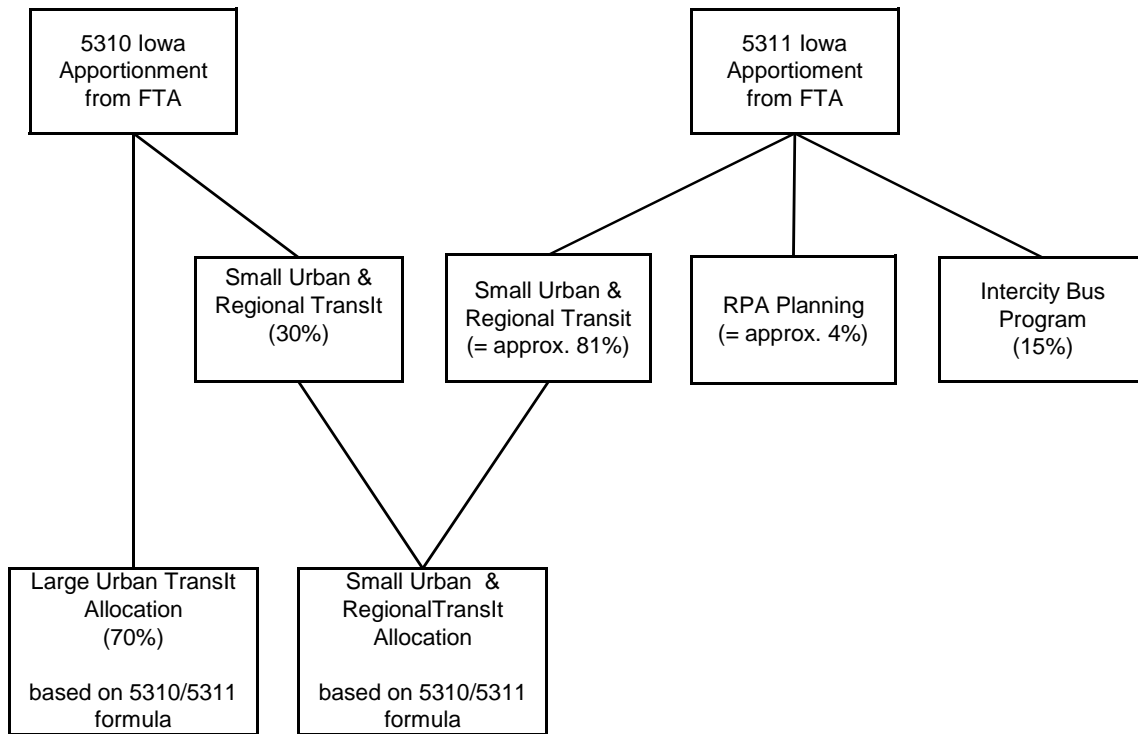
Conversion Vans – ADA Retrofit

- Access Doors or Door Modifications to meet 56" clear opening required for mobility aid users
- Brake Interlock System
- Decals
- Lift/Ramp for Mobility Aid User
- Roof Modifications (to include topper, roll cage, liner, paint to match)
- Securement System (i.e., 1) for mobility aid user
- Stanchions, grab bars not previously required

Bicycle racks aboard buses

Bicycle racks/lockers at bus stops

Iowa Distribution of 5310 and 5311 Funds



5310/5311 Program Formula Allocation Process

Regional System Apportionment

$$\begin{array}{c} \text{Current Year} \\ \text{Formula} \\ \text{Amount} \end{array} \times .75 = \begin{array}{c} \text{Total} \\ \text{Regional} \\ \text{Systems} \\ \text{Apportionment} \end{array} \times \left[.6 \times \frac{\begin{array}{c} \text{Individual Regional} \\ \text{System Revenue Miles} \end{array}}{\begin{array}{c} \text{Total Regional} \\ \text{Revenue Miles} \end{array}} + .4 \times \frac{\begin{array}{c} \text{Individual Regional} \\ \text{System Ridership} \end{array}}{\begin{array}{c} \text{Total Regional} \\ \text{Ridership} \end{array}} \right] = \begin{array}{c} \text{Individual} \\ \text{Regional System} \\ \text{Formula} \\ \text{Allocation} \end{array}$$

Small Urban System Apportionment

$$\begin{array}{c} \text{Current Year} \\ \text{Formula} \\ \text{Amount} \end{array} \times .25 = \begin{array}{c} \text{Total} \\ \text{Small Urban} \\ \text{Apportionment} \end{array} \times \left[.5 \times \frac{\begin{array}{c} \text{Individual Small Urban} \\ \text{Revenue Miles} \end{array}}{\begin{array}{c} \text{Total Small Urban} \\ \text{Revenue Miles} \end{array}} + .5 \times \frac{\begin{array}{c} \text{Individual Small} \\ \text{Urban Ridership} \end{array}}{\begin{array}{c} \text{Total Small Urban} \\ \text{Ridership} \end{array}} \right] = \begin{array}{c} \text{Individual} \\ \text{Small Urban} \\ \text{Formula} \\ \text{Allocation} \end{array}$$

|-----|
Same formula used for Large Urbans 5310 Allocations

Net public deficit, ridership, and revenue miles statistics are from the last complete fiscal year.

Net public deficit - Operation revenue not dedicated to any specific client group and is not user-generated revenue. Includes state transit assistance, FTA formula assistance, and local tax support of revenue sharing funds not required as match for client program funds.

Revenue miles - Total miles traveled by revenue vehicles while in revenue service.

Ridership - Person boarding a vehicle for the purpose of making a trip. Each time a person boards is counted as a separate trip if the vehicle moved in between.

5310/5311 Allocation Example

This example demonstrates how the formula distributes funding to a regional and an urban system using an annual statewide allocation of \$3,911,732 and the following statewide data. This is an example only.

Transit Statistics

Transit System	Ridership	Revenue Miles
Total Regional	328,3240	11,702,845
Total Small Urbans	1,433,460	1,722,459
Total	471,6700	1,3425,304
Region 2	452,723	1,341,089
Ottumwa	357,440	251,373

Regional System Allocation Example

Annual Allocation X .75 = Total Regional Share X (Revenue Miles + Ridership) = System Allocation

$$\$3,911,738 \times .75 = \$2,933,803 \times [(.6 \times [1,341,089/11,702,845]) + [(.4 \times [452,723/3,283,240])]]$$

$$\$3,911,738 \times .75 = \$2,933,808 \times ((.6 \times .114595) + (.4 \times .137889))$$

$$\$2,933,808 \times .1239126 = \$363,535$$

Small Urban System Allocation Example

Annual Allocation X .25 = Total Small Urban Share X (Revenue Miles + Ridership) = System Allocation

$$\$3,911,738 \times .25 = \$977,934 \times [(.5 \times [251,373/1,722,459]) + [(.5 \times [357,440/1,433,460])]]$$

$$\$3,911,738 \times .25 = \$977,934 \times ((.5 \times .145938) + (.5 \times .249354))$$

$$\$977,934 \times .197646 = \$193,285$$

Iowa State Transit Assistance Formula Allocation

Regional System Allocation

$$\frac{\text{Regional Revenue Miles}}{\text{Sum of Regional and Urban Revenue Miles}} = \text{Total Regional Systems Allocation} \times \left[.5 \times \frac{\text{System LDI}}{\text{Total Regional LDI}} + .25 \times \frac{\text{System Pass to OpExp ratio}}{\text{Sum of Regional Pass to OpExp ratios}} + .25 \times \frac{\text{System RevMi to OpExp ratio}}{\text{Sum of Regional RevMi to OpExp ratios}} \right] = \text{Individual Regional System Formula Allocation}$$

Urban System Allocation

$$\frac{\text{Urban Revenue Miles}}{\text{Sum of Regional and Urban Revenue Miles}} = \text{Total Urban Allocation} \times \left[.5 \times \frac{\text{System LDI}}{\text{Total Urban LDI}} + .25 \times \frac{\text{System Pass to OpExp ratio}}{\text{Sum of Urban Pass to OpExp ratios}} + .25 \times \frac{\text{System RevMi to OpExp ratio}}{\text{Sum of Urban RevMi to OpExp ratios}} \right] = \text{Individual Urban System Formula Allocation}$$

RevMi - Revenue miles driven while providing service to clients/public or en route between clients.

LDI - Locally Determined Income: Annual transit system revenue used for operating expenses, excluding FTA formula funds and STA funds.

Pass - Passenger: A person counted each time a person boards and is transported. (Passengers and rides are synonymous in this formula).

OpExp - Operating Expense: Costs involved in the actual operation and administration of the system.

STA Allocation Example

Sample allocates \$600,000 monthly STA to a regional system and an urban system using the following statewide data. This is an example only; actual data may vary.

Transit Statistics

Transit System	Ridership	Revenue Miles	Operating Expense	Local Determined Income (LDI)	Ridership /Operating Expense	Rev. Miles/ Operating Expense
Total Regional	3,582,352	12,903,394	\$19,881,080	\$12,393,298	.180189	.649029
Total Urbans	20,001,094	12,547,472	447,963,545	\$32,676,112	.417006	.26164
Statewide Total	23,583,446	25,450,866	\$67,844,625	\$45,069,411		
Region 1	243,630	887,891	\$1,313,969	\$903,322	.185415	.675732
Ames	4,678,548	1,096,602	\$4,700,293	\$3,587,086	1.304275	.233305

Regional System Allocation Example

$$12,903,394/25,450,866 = .506992 \times [(.5 \times \$903,322/\$12,393,298) + (.25 \times .185415/2.87465) + (.25 \times .675732/10.50159)]$$

$$=.50699 \times [(.5 \times .0728879) + (.25 \times .064500) + (.25 \times .064345)]$$

$$=.50699 \times (.03644 + .016125 + .0160864)$$

$$=.50699 \times .06865537$$

$$=.0348$$

$$=3.48\% \times \$600,000 = \$20,880$$

Regional miles/Total miles = Regional miles percent of total

Regional miles percent of total x (LDI + Ridership/Operating expense + Miles/Operating expense) = Systems' Percent of STA x Sample Monthly STA = Systems' Monthly STA

Urban System Allocation Example

$$12,547,472/25,450,866 = .49300766 \times [(.5 \times \$3,587,086/\$32,676,112) + (.25 \times .99537369/7.5808763) + (.25 \times .233330503/6.15624379)]$$

$$=.49300766 \times [(.5 \times .109777) + (.25 \times .1313006) + (.25 \times .03789730)]$$

$$=.49300766 \times (.0548885 + .032825 + .009474)$$

$$=.49300766 \times .0971875$$

$$=.0479$$

$$=4.79\% \times \$600,000 = \$28,740$$

Urban miles/Total miles = Urban miles percent of total

Urban miles percent of total x (LDI + Ridership/Operating expense + Miles/Operating expense) = Systems' Percent of STA x Sample Monthly STA = Systems' Monthly STA